

Message Text

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ACTION PM-07

INFO OCT-01 EUR-25 NEA-10 ISO-00 DODE-00 L-03 MC-02 AID-20

IGA-02 CIAE-00 INR-10 NSAE-00 RSC-01 SS-15 NSC-10

DRC-01 OMB-01 TRSE-00 EA-11 ABF-01 EB-11 /131 W

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R 071030Z SEP 73

FM AMEMBASSY COLOMBO

TO SECSTATE WASHDC 9990

INFO AMEMBASSY LONDON

AMEMBASSY NEW DELHI

CINCPAC

C O N F I D E N T I A L COLOMBO 2251

E.O. 11652: GDS

TAGS: MASS, CE, US

SUBJ: PURCHASE OF SHIP FOR SRI LANKA NAVY

REF: A) COLOMBO 1980

B) STATE 170400 (NOTAL)

1. SRI LANKAS DESIRE TO PURCHASE US NAVY SHIP CONFRONTS
USG WITH MUCH THE SAME TYPE OF ARMS SUPPLY DILEMMA WE
FACE ELSEWHERE. IN EMBASSY'S VIEW, SRI LANKA DOES NOT
NEED SHIP AND CERTAINLY CANNOT AFFORD ESTIMATED \$2-4
MILLION COST FOR OVERHAUL OF US "COURTNEY" CLASS DESTROYER
ESCORT. IN SRI LANKA NAVY'S VIEW, WHICH GSL HAS NOW
FORMALLY ENDORSED, IT DOES NEED A SHIP AND GSL APPARENTLY
IS WILLING TO SCRAPE UP ENOUGH MONEY TO PAY FOR IT. GSL
WOULD PREFER TO BUY SHIP FROM US OR UK BUT, IF IT IS
UNAVAILABLE FROM EITHER SOURCE, CEYLONSE MAY BUY SHIP
FROM SOVIETS. QUESTION THEN ARISES: WILL USG'S INTEREST
BEST BE SERVED IF WE OR BRITISH SELL SHIP TO CEYLONSE,
OF IF WE LET SOVIETS SELL IT TO THEM?

2. ASSUMING OUR TERMS ARE SATISFACTORY, WE BELIEVE US
MIGHT GAIN SOME POLITICAL ADVANTAGE FROM SALE OF SHIP,
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ALTHOUGH SUCH ADVANTAGE WOULD BE SMALL. ADVANTAGE FOR US

MIGHT ALSO BE SHORT-LIVED, IF MAINTENANCE AND SPARE PARTS PROVED TO BE VEXING PROBLEM FOR BOTH SLN AND OURSELVES. SOVIETS, WHO INCORRECTLY ESTIMATE THAT CHINESE ARE MAKING MAJOR INROADS IN SRI LANKA, REPORTEDLY WOULD LIKE TO COUNTER CHINESE INFLUENCE BY SELLING SHIP TO SRI LANKA NAVY ON EAST TERMS. SOVIETS ARE EXPECTED TO BRING ONE ALONG FOR INSPECTION ON SHIP VISIT NOW REPORTEDLY SCHEDULED FOR SOME TIME NEXT WEEK. SALE BY SOVIETS COULD GIVE THEM SOME POSITIVE POLITICAL RETURN WITH GSL AND MIGHT IMPROVE THEIR POSITION IN BROADER INDIAN OCEAN CONTEXT BUT ONLY TO MARGINAL DEGREE. THERE UNDOUBTEDLY WOULD BE ELEMENTS WITHIN PRESENT UNITED FRONT GOVERNMENT, AND COUNTRY AT LARGE, WHO WOULD SERIOUSLY QUESTION WISDOM OF BUYING "A BLUE WATER SHIP" AT TIME WHEN COUNTRY IS IN THROES OF ECONOMIC CRISIS AND DESPERATELY NEEDS MONEY FOR ECONOMIC DEVELOPMENT.

3. IN VIEW THESE CONSIDERATIONS, WE CONCLUDE THERE IS NO STRONG US INTEREST IN SALE OF SHIP TO SRI LANKA NAVY AND THAT US INTERESTS WOULD NOT BE SERIOUSLY DISADVANTAGED BY SOVIET SALE. HOWEVER, IF GSL DETERMINED TO PRESS AHEAD WITH PURCHASE, IT WOULD BE PREFERABLE TO HAVE WESTERN ALTERNATIVE TO SOVIET OFFER AND FOR SHIP TO BE BOUGHT FROM WESTERN SOURCES. AMBASSADOR HAS DISCUSSED GSL SHIP REQUEST WITH BRITISH HIGH COMMISSIONER SMEDLEY, WHO PERSONALLY IS SOMEWHAT RELUCTANT TO HAVE UK RESPOND POSITIVELY BECAUSE, AMONG OTHER REASONS, HE BELIEVES UK COULD GET BOGGED DOWN IN ISSUE OF FINANCING AS WELL AS FOLLOW-UP PROBLEMS SUCH AS SPARE PARTS AND MAINTENANCE. NONETHELESS, SMEDLEY HAS SAID THAT UK DOES HAVE A SHIP WHICH IT "MIGHT BE WILLING TO FLOG ON STRAIGHT COMMERCIAL TERMS" ALTHOUGH HE DOES NOT KNOW WHAT THOSE TERMS MIGHT BE.

4. RECOMMENDATION: EMBASSY RECOMMENDS THAT AS NEXT STEP WE FORMALLY APPROACH BRITISH IN EFFORT PERSUADE UK TO OFFER SHIP TO SRI LANKA, USING FOLLOWING ARGUMENTS:

A. USG UNABLE AT PRESENT TIME TO OFFER SHIP TO GSL ON SATISFACTORY TERMS, FOR REASONS SET FORTH PARA 5 AND CONFIDENTIAL

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B. EVEN IF WE WERE LATER ABLE TO DEVELOP BETTER SALES TERMS, WE BELIEVE UK SHOULD GIVE PROMPT AND POSITIVE CONSIDERATION TO OFFERING SHIP TO SRI LANKA NAVY ON BEST POSSIBLE TERMS IN ORDER PROVIDE ALTERNATIVE TO PROPOSED SALE BY USSR.

C. AS BETWEEN USG AND UK, BRITISH ARE MORE LOGICAL

PARTY TO OFFER SHIP BECAUSE OF BRITAINS LONG-STANDING SPECIAL
RELATIONSHIP WITH SRI LANKA NAVY, INCLUDING CONTINUATION OF UK
NAVAL TRAINING PROGRAM AT TIME US MAP TRAINING PROGRAM
HAS BEEN SUSPENDED BY BANDARANAIKE GOVT.

D. SALE BY UK WOULD AVOID SOME OF ADVERSE OVERTONES
OF US-USSR NAVAL COMPETITION IN INDIAN OCEAN WHICH MIGHT BE
RAISED IF SALE WENT TO EITHER US OR USSR.

5. WOULD APPRECIATE DEPTS REACTION TO THESE
RECOMMENDATIONS. IF IT IS AGREED THAT FORMAL APPROACH TO
BRITISH IS DESIRABLE, SUGGEST THIS BE DONE IN WASHINGTON
OR LONDON WITH AMB FOLLOWING UP IN COLOMBO WITH UK
HIGH COMMISSIONER.
VAN HOLLEN

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FOREIGN RELATIONS, SURPLUS MILITARY EQUIPMENT SALES, DESTROYERS
Control Number: n/a
Copy: SINGLE
Draft Date: 07 SEP 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: garlanwa
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973COLOMB02251
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS VANHOLLEN
Errors: N/A
Film Number: n/a
From: COLOMBO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730949/aaaabkdw.tel
Line Count: 130
Locator: TEXT ON-LINE
Office: ACTION PM
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: A) COLOMBO 1980
Review Action: RELEASED, APPROVED
Review Authority: garlanwa
Review Comment: n/a
Review Content Flags:
Review Date: 19 DEC 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <19-Dec-2001 by martinml>; APPROVED <23-Jan-2002 by garlanwa>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PURCHASE OF SHIP FOR SRI LANKA NAVY
TAGS: MASS, CE, US
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005